

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA**

UNITED STATES OF AMERICA	*	CRIMINAL DOCKET NO. 09-044
v.	*	SECTION: "S"
JUDITH ZABALAOUI	*	
	* * *	

FACTUAL BASIS

If this case had gone to trial, the Government would prove the following beyond a reasonable doubt through competent evidence and tangible exhibits:

The defendant, **JUDITH ZABALAOUI**, was a Certified Financial Planner. In 1974, **ZABALAOUI**, founded a local company for the purpose of assisting clients with their financial needs. When she left the company in 1991, **ZABALAOUI** retained several clients with whom she had established professional and personal relationships. When **ZABALAOUI** severed her employment with the company, she had no further business involvement, and did not hold herself out as an agent or representative of her former company. Evidence would show that **ZABALAOUI** acted in a proper and legal manner while employed with her former company. The clients and their bank accounts were all located in the Eastern District of Louisiana at all times mentioned herein. **ZABALAOUI** maintained a home in the Eastern District of Louisiana at all times mentioned herein

and also lived in Birmingham, Alabama while repairs were being made to her Metairie, Louisiana residence due to Hurricane Katrina.

Evidence would show that **ZABALAOUI** has maintained at least four bank accounts at Omni Bank in Metairie, Louisiana. Two of these bank accounts are Paragon Co., Inc (hereinafter referred to as Paragon) and Baines Bailey Space & Direct (hereinafter referred to as Baines Bailey).

Victims would testify under oath that they relied solely on the advice of **ZABALAOUI** and invested large sums of money into two companies, Paragon and Omni Clearing, that turned out to be fraudulent. **ZABALAOUI** explained that Paragon was a company located in Colorado that invested in municipal bonds, tax liens, and the purchasing of real estate at cheap prices after foreclosure or bankruptcy, that would later be sold at a profit, thus realizing the investor guaranteed gains ranging from 13% to 26%. She described Omni Clearing as a company that was a small financial services firm offering services and products exclusively through personal financial consultants. She touted these companies as “safe” investments that could be redeemed at any time.

These victims would testify that **ZABALAOUI** had each of them sign a power of attorney, thus giving **ZABALAOUI** access to their funds so that she could complete the transactions to purchase “units” of Paragon and/or Omni Clearing. Testimony would show that **ZABALAOUI** would deposit the checks or wire transfers that she received from clients to invest in Paragon, into the Paragon bank account at Omni Bank, in Metairie, Louisiana. **ZABALAOUI** would also wire money from client accounts, that was supposed to be invested in Omni Clearing, into her Baines Bailey account. Witnesses from various financial institutions would testify that **ZABALAOUI** never invested these funds. Zabalaoui’s actions started in 1993 and continued until late 2007.

ZABALAOUI attempted to make Paragon and Omni Clearing, appear to be legitimate companies. **ZABALAOUI** made Paragon appear to be a valid corporation with a valid address by renting a mail box at a UPS store in Montrose, Colorado, as well as incorporating the company name with the Louisiana Secretary of State in 1992. **ZABALAOUI** placed this UPS address and mailbox number onto correspondence with a purported Paragon letterhead, but referred to the mailbox number as a “suite” number. Witnesses from the United States Postal Service would testify that the location was a UPS store and that Paragon never resided at that location.

Witnesses would also testify that **ZABALAOUI** set up an additional phone line with a fax number for Paragon that was actually the fax number for the UPS store in Montrose, Colorado.

Agents from the United States Postal Service would testify that **ZABALAOUI** also created a fictitious person, Patrice Jacobs, that was allegedly employed by Paragon.

Testimony would show that **ZABALAOUI** disguised Omni Clearing in the same manner as Paragon. **ZABALAOUI** set up a website for Omni Clearing, listed as <http://www.omniclearing.com>, together with a phone number, and physical address. This physical address was located in Dover, Delaware and like Paragon, the address was that of a local UPS store, with the mailbox number listed as a suite number.

Agents from the United States Postal Service would testify that **ZABALAOUI** also created three fictitious people, Patrice Jacobs, Nigel Leigh and Craig Anderson, that were allegedly employed by Omni Clearing, and set up a phone line with an answering service in the event clients called with questions about their “investments.” When clients had questions regarding their accounts or when they could withdraw money, **ZABALAOUI** would create fictitious emails or letters between herself and these fictitious people, regarding either Paragon or Omni Clearing, and then

mail them to the clients in an attempt to show the clients that she was trying to obtain funds for them, but that the nature of the investments did not allow for an immediate liquidation of funds. This allowed her time to persuade other clients to invest in Paragon or Omni Clearing, so that she could then pay back the clients that requested liquidation, with the misappropriated funds that she just received for the new “investments.”

Victims would testify that when they asked for account statements, **ZABALAOUI** would eventually mail the statements via the United States mail. The vast majority of the mailings were from either Metairie, Louisiana or Birmingham, Alabama. Witnesses would testify that these statements were fraudulent. These mailings furthered the scheme and artifice to defraud in that they had fraudulent account balances showing gains, falsely detailed interest allegedly earned and represented that the investments had been purchased, when in reality no money had been invested, and that the money had been transferred into personal accounts controlled by **ZABALAOUI**. Some of these mailings occurred as follows:

Date	Sender's Address	Addressee	Mail Matter and Contents
On or about April 30, 2005	Judith Zabalaoui 2901 Ridgelake Drive Suite 107 Metairie, LA 70002	B.W. New Orleans, LA 70130	Paragon account statement falsely reporting that B.W.'s Paragon account was worth \$610,547.80, when in fact the account balance was \$0.00
On or about December 31, 2005	Judith Zabalaoui 105 Lakeshore Ridge Birmingham, AL 35211	L.C./D.C. New Orleans, LA 70124	Paragon account statement falsely reporting L.C./D.C.'s Paragon account was worth \$43,332.35, when in fact the account balance was \$0.00

Date	Sender's Address	Addressee	Mail Matter and Contents
On or about December 31, 2005	Judith Zabalaoui 105 Lakeshore Ridge Birmingham, AL 35211	E.C. New Orleans, LA 70115	Paragon account statement falsely reporting that E.C.'s Paragon account was worth \$299,459.95, when in fact the account balance was \$0.00
On or about February 28, 2007	Judith Zabalaoui 314 Lakeshore Ridge Birmingham, AL 35211	A.C. Mandeville, LA 70448	Paragon account statement falsely reporting that A.C.'s Paragon account was worth \$168,094.48, when in fact the account balance was \$0.00
On or about April 2007	Paragon 236 South Third Street Suite 204 Montrose, CO 81401	D.C. Bush, LA 70431	2006 IRS tax form 1099- INT showing \$47,708 in interest income, when in fact there was no interest income

As a result of the scheme, **ZABALAOUI** fraudulently obtained approximately \$3,000,000, which was misappropriated to pay for personal expenses such as utilities for her family and others, clothing, credit card balances, mortgages, medical care for her family, her husband's family, her assistant's family and others, rent and living expenses for apartments for friends and family, food for her family and others, as well as vacations.

Evidence would show that **ZABALAOUI** acted alone, and that her fraudulent activities occurred subsequent to her employment with her former company. No one at her former company was aware of any of these fraudulent activities.

The above information comes from an investigation conducted by Special Agents of the United States Postal Service, numerous records subpoenaed into a federal grand jury, interviews conducted during the investigation, and from the admissions of the defendant, Judith Zabalaoui.

JON MAESTRI (Date)
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JAN MASELLI MANN (Date)
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ANTHONY JOSEPH (Date)
Attorney for Judith Zabalaoui

JUDITH ZABALAOUI (Date)
Defendant